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2 UNITED STATES DISTRICT COURT
3 SOUTHERN DISTRICT OF NEW YORK

4 - - - - - DEBORAH DONOGHUE,

x

:

5 Plaintiff,

:

6 -against-

Case No.

7 LOCAL.COM CORPORATION and HEARST
8 COMMUNICATIONS, INC.,

07CIV8550(LBS)

9 Defendants.

:

x

10

11 DEPOSITION of DOUGLAS NORMAN, taken by
12 Plaintiff at the offices of Kramer, Levin, Naftalis &
13 Frankel, LLP, 1177 Avenue of the Americas, New York,
14 New York 10036, on Thursday, May 15, 2008 commencing
15 at 10:10 o'clock a.m., before Janine Figliozzi, a
16 Shorthand (Stenotype) Reporter and Notary Public
17 within and for the State of New York.

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3 A P P E A R A N C E S:

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5 DAVID LOPEZ, ESQ.
6 Attorneys for Plaintiff
7 171 Edge of Woods Road
8 Southampton, New York 11968

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11 GREENBERG TRAURIG, LLP
12 Attorneys for Hearst Communications
13 200 Park Avenue
14 New York, New York 10166

15

16

17 BY: ALAN MANSFIELD, Esq., of Counsel
18 WILLIAM A. WARGO, Esq., of Counsel

19

20

21 KRAMER, LEVIN, NAFTALIS & FRANKEL, LLP
22 Attorneys for Local.com
23 1177 Avenue of the Americas
24 New York, New York 10036

25

26 BY: JONATHAN L. FRIED, Esq., of Counsel

27

28 ALSO PRESENT:

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31 Jack Spizz, Esq., Office of General
32 Hearst Corporation

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DOUGLAS NORMAN, called as a
witness, having been first duly sworn by
Janine Figliozi a Notary Public within
and for the State of New York, was
examined and testified as follows:

7

DIRECT EXAMINATION BY MR. LOPEZ:

8

Q Please state your name.

9

A Douglas St. John Norman.

10

Q Do you appear today for Local.com?

11

A Yes.

12

13

Q What is your relationship to
Local.com?

14

15

A I am the chief financial officer
and secretary.

16

17

Q What was your relationship to
Local.com on July 31, 2007?

18

A Same.

19

Q August 1, 2007?

20

A Same.

21

22

23

24

Q Did you participate in the sale
and issuance of 2,356,900 shares of common stock
by Local.com on or about July 31, August 1,
2,007?

25

A Yes.

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2 Q For purposes of SEC compliance
3 reporting, the company uses the numbers found on
4 the company's maintained Excel ledger, correct?

5 A Yes.

10 MR. LOPEZ: All right.

11 MR. MANSFIELD: Make it 10.

12 (Form 8K for Local.com was
13 marked as Plaintiff's Exhibit No. 10
14 for identification, as of this
15 date.)

16 Q I am handing you what has been
17 marked as Exhibit 10 --

18 MR. FRIED: Do you have a
19 copy for me?

20 Q Can you identify it?

21 A Its' a Form 8-K for Local.com
22 Corporation.

23 0 Did you sign it?

24 A Yes.

25 Q What does it state?

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2 A It states the entry into a
3 material definitive agreement regarding the
4 issuance of shares as well as the consent to
5 equity sales.

6 Q What is the date of Exhibit 10?

7 A Date of report says July 31.

8 Q Why don't you look at the
9 signature page and tell me if that bears a date.

10 A Date says August 1, 2007.

11 Q When did you sign it?

12 A August 1st, 2007.

13 Q Is this the 8-K that was filed
14 with the SEC at 4:32 Eastern standard time on
15 August 1, 2007?

16 A Yes.

17 Q If I can refer you to page 4 of
18 Exhibit 10, the first line under the title item
19 1.01, do you see that?

20 A Yes.

21 Q Do you see it says on August 1
22 Local.com Corporation issued 2,356,900 shares of
23 its common stock?

34 A VOC

Q. Was that statement true at the time it was made?

40

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2 time the 8-K was filed with the SEC?

3 A No.

4 Q Has Local.com supplemented or
5 amended the 8-K that it filed on August 1, 2007?

6 A No.

7 Q When did Local.com first become
8 aware that statements filed on August 1, 2007
9 with the Securities and Exchange Commission were
10 inaccurate?

11 MR. FRIED: Object to the
12 form.

13 A I don't believe it is inaccurate.

14 Q So the statement -- first sentence
15 on page 4 of Exhibit 10 is accurate --

16 A Well --

17 Q -- is that correct?

18 A -- in context it is because on
19 August 1st we did issue them.

20 Q At 4:32 Eastern Standard Time had
21 the shares been issued?

22 MR. FRIED: Objection,
23 asked and answered.

Z4 A NO.

25 Q So at 4:32 was the statement

1 Norman

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2 accurate?

3 A I guess not.

4 Q It's your testimony that there has
5 been no amendment or supplement to the 8-K to
6 correct the inaccuracy; is that correct?

7 A Correct.

8 Q Mr. Norman, what if anything did
9 you do to prepare for today's deposition?

10 A I reviewed the document requests.
11 I reviewed E-mails relating to that request. I
12 talked with my corporate counsel.

13 Q Who is your corporate counsel?

14 A Rattan and Tucker.

15 Q Anyone specific?

16 A Yes.. Derek, D-e-r-e-k, Dundas,
17 D-u-n-d-a-s. I spoke with David Katzoff. I
18 spoke to the two other officers of the company
19 to let them know that I had work to do, and I
20 believe that's it -- oh, and spoke with Jonathan
21 Fried.

22 Q Your counsel here at the
23 deposition?

24 A Yes.

25 Q Did you speak with Mr. Lopez?

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2 A No.

3 Q Did you ask Mr. Dundas whether he
4 had documents that might be responsive to the
5 document requests?

6 A Yes.

7 Q What did he say?

8 A He said he would -- he actually
9 produced some.

10 Q Who drafted the 8-K?

11 A It was a collaborative effort
12 between our corporate counsel and David Katzoff
13 and myself.

14 Q Did you review it before you
15 signed it?

16 A Yes.

17 Q The 8-K reflects a repricing of
18 warrants owned by Hearst; is that correct?

19 MR. FRIED: Objection. The
20 document speaks for itself.

21 A Yes.

22 Q Are you familiar with the
23 repricing of --

24 A Yes.

25 Q -- the Hearst warrants?

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Norman

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A Yes.

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Q How are you familiar with them?

4

A I reviewed the consents as they
were being drafted and I discussed with counsel,
probably discussed it with the board of
directors during the approval process. I think
that's pretty much it.

9

Q Did there come a time that Hearst
received repriced warrants?

11

MR. FRIED: Object to the
form.

13

A Yes --

14

MR. MANSFIELD: Withdrawn.
Withdrawn.

16

Q Did there come a time that
warrants that were repriced were delivered to
Hearst by Local.com?

19

A I believe so, yes.

20

Q When was that?

21

A I'm not sure the date that they
received them.

23

Q What date were they delivered?

24

A I'm not sure what date.

25

Q Were they delivered after

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2 August 1, 2007?

3 A Most likely.

4 Q Tell me what the process would be
5 for the creation and delivery of repriced
6 warrants to Hearst in or about August 2007.

7 A We would have to have an agreement
8 and then we would strike the warrants from our
9 ledger, existing ones, then reissue new ones
10 that reflected the correct price.

11 Q So let's take this in steps.

12 First, there would have to be an agreement,
13 correct?

14 A Correct.

15 Q Was there such an agreement?

16 A Yes.

17 O When was that agreement?

18 A July

19 0 You said the next step was

20 strike the warrants from the

well as to strike the existing ones.

What ledger are we talking about?

THE WARRANT LEDGER.

Q The warrant reader you said is

Norman

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2 maintained by Local.com?

3 A Yes.

4 Q Who physically would enter the new
5 warrants into the warrant ledger?

6 A David Katzoff.

7 Q Did there come a time he did that?

8 A Yes.

9 Q When?

10 A I'm not sure.

11 Q Would he have done it only on your
12 authorization and direction in the normal course
13 of Local.com business?

14 A Yes.

15 Q Did there come a time that you
16 directed him to enter the new warrants into the
17 warrant ledger?

18 A Yes.

19 Q Do you remember when that was?

20 A No.

21 Q Would that have been done orally
22 or in writing?

23 A Orally.

24 Q Would there be any written
25 reflection of that oral direction?

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2 297, which counsel provided us after the
3 deposition began today. Can you identify
4 Exhibit 12?

5 A These are E-mails from the.
6 company's bank to Georgia Thompson who is the
7 company's controller.

8 Q When you say the company's bank,
9 do you mean Local.com's bank?

10 A Yes.

11 Q You have in front of you Exhibit
12 11, correct?

13 A Correct.

14 Q I'd like you to look through that
15 and tell me if you can identify it?

16 A These are advices from the
17 company's bank that were attached to the
18 E-mails.

19 Q The 2,356,900 shares were
20 purchased pursuant to a PIPE, is that correct?

21 A Correct.

22 Q Who were the purchasers?

23 A There were two funds and then
24 within those funds they actually purchased them
25 with specific -- I guess sub-funds, you would

1 Norman

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2 say, there's 27 entries and within there, there
3 were more entries.

4 Q For our purposes in this
5 deposition, can we call those funds and the
6 sub-funds the buyers, would we understand each
7 other if we refer to it as the buyers?

8 A Yes.

9 Q The buyers were party to the stock
10 purchase agreement that you discussed earlier
11 today, correct?

12 A Yes.

13 Q And Local.com was the other party,
14 correct?

15 A Yes.

16 Q It was that stock purchase
17 agreement that you said had various conditions
18 of closing, correct?

19 A Yes.

20 Q Do the documents contained in
21 Exhibits 11 and 12 reflect payment made by the
22 buyers pursuant to the stock purchase agreement?

23 A Yes.

24 Q These were payments for the common
25 shares, correct?

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A Yes.

3 Q The payments reflected on Exhibits
4 11 and 12 went directly into Local.com's bank
5 account, correct?

6 A Yes.

7 Q These payments were not held in
8 escrow, correct?

9 A They were not -- they were not
10 held by an escrow agent.

11 Q Is there any document that says
12 these payments were held in escrow for any
13 purpose?

14 A Well, I would refer to the
15 securities purchase agreement because there was
16 obligations on the companies that we have to
17 fulfill as well as the buyer fulfill.

18 Q After the buyer made payment by
19 wire transfer on August 1st, 2007, was there any
20 obligation left on the part of the buyers to
21 comply with the terms of the stock purchase
22 agreement?

23 A I don't believe so.

24 Q When was the last of the payments
25 received by Local.com in its bank account made

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by the buyers on August 1st, 2007?

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A We received notice at 1:06 p.m.

4

Pacific.

5

Q So that would be 4:06 Eastern Standard Time, correct?

6

A Correct.

7

Q So as of 4:06 Eastern Standard Time on August 1, 2007, the buyers had made payment for the common shares the buyers purchased under the stock purchase agreement, correct?

8

A Correct.

9

Q It's the case, is it not, that Local.com told the transfer agent to wait before delivering the certificates until Local.com was paid, correct?

10

MR. FRIED: Object to the form.

11

A Yes. There was an E-mail to that -- I think there was multiple E-mails. One of them may have referred to payment.

12

Q Look at Exhibit 2 and I direct your attention to the fourth line.

13

MR. FRIED: Is there a

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2 question pending?

6 Q Do you have it?

7 A Yes.

8 Q Do you see the fourth line of
9 Exhibit 2 that begins, "Once we receive payment,
10 I will send over an issuance letter to issue the
11 shares," do you see that?

12 A Yes.

13 Q Is that the E-mail exchange to
14 which you were referring earlier about payment
15 being the condition before the transfer agent
16 was to deliver certificates?

17 A Payment being a condition.

18 Q Was there any other condition told
19 to the transfer agent other than payment as
20 relating to the transfer agent's delivery of
21 certificates?

22 MR. FRIED: Reflected on
23 this E-mail or at all?

24 MR. MANSFIELD: At all.

25 A Yes -- wait, what was the question